บริษัท ออลล่า จำกัด (มหาชน)
ALLA PUBLIC COMPANY LIMITED

9 May 2019 Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

The operating performance of the Group for the first quarter of 2019 has improved, compared to the same period of the prior year. Although revenues from contracts with customers have slightly decreased, mainly due to the decrease of revenue from sales. Nevertheless, such decrease was only because of the postponing of the delivery period to the next quarters. This was in line with the significant increase of work in process during the quarter. In addition, the Group still maintained its gross profit margin at 30%. The administrative expenses of the Group also decreased from the efficient expense management, including gains from exchange rate from good financial management, as a result, the increase in net profit of the Group. In addition, during the quarter, the Company has written off fixed assets of approximately Baht 2 million due to the renovation of the office building. Therefore, if considering only the part of the operations, the Group has improved its operating performance when compared with last quarter. The revenues backlog of the Group as at the end of the first quarter was Baht 507 million increased about 10% compared to the end of prior year.

The Group still has solid financial structure, has continued cash flow from operations, good liquidity ratio and low debt to equity ratio as well.

Consolidated Financial Performance for the first quarter of 2019

Operating Income			
(Thousand Baht)	1Q 2019	1Q 2018	%Chg.
Revenues from contracts with customers	97,924	104,034	(6%)
Other income	3,226	1,339	141%
Total Operating Income	101,150	105,373	(4%)

Revenues structure						
	1Q 2019		1Q 2018		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales						
Crane and Electric Hoist	43,740	44%	49,742	48%	(6,002)	(12%)
Loading Dock and Equipment	19,475	19%	23,473	22%	(3,998)	(17%)
Warehouse system	-	-	-	-	-	-
Total revenue from sales	**63,215**	**63%**	**73,215**	**70%**	**(10,000)**	**(14%)**

Revenues structure (continued)						
	1Q 2019		1Q 2018		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from services						
Crane and Electric Hoist	29,284	29%	26,229	25%	3,055	12%
Loading Dock and Equipment	5,397	5%	4,575	4%	822	18%
Training center	28	0%	15	0%	13	87%
Total revenue from services	**34,709**	**34%**	**30,819**	**29%**	**3,890**	**13%**
Other income	**3,226**	**3%**	**1,339**	**1%**	**1,887**	**141%**
Total Operating Income	101,150	100%	105,373	100%	(4,223)	(4%)

Total operating income for the first quarter of 2019 of the Company and its subsidiary were Baht 101 million decreased from the same period of prior year of Baht 4 million or 4%. Revenue from sale of crane and electric hoist decreased by Baht 6 million or 12%. Revenue from sale of loading dock and equipment decreased by Baht 4 million or 17%. Such decrease was only because of the postponing of the delivery period to the next quarters. This was in line with the significant increase of work in process during the quarter. However, the revenue from services increased by Baht 4 million or 13%, mainly from crane and hoist service segment. In addition, other income of the Group increased by Baht 2 million or 141%, mainly due to gains from exchange rate as from efficient financial management.

During this quarter, the Company received dividend of Baht 8 million from its subsidiary, which this transaction had been eliminated in the consolidated financial statements.

As at March 2019, the Company and its subsidiary had revenues backlog of Baht 507 million, which increased by Baht 48 million or 10% compared to prior year, such backlog will gradually be recognized as revenues from the second quarter of 2019 onward. The continued increase in revenues backlog was due to the expansion of public and private investments in order to support the overall economy growth.

Operating Expenses			
(Thousand Baht)	1Q 2019	1Q 2018	%Chg.
Cost of sales and services	68,101	72,457	(6%)
Selling expenses	7,292	6,832	7%
Administrative expenses	21,922	24,110	(9%)
Total Operating Expenses	97,315	103,399	(6%)

Total operating expenses for the first quarter of 2019 of the Company and its subsidiary were Baht 97 million decreased from the same period of prior year of Baht 6 million or 6%. The mainly causes due to

- Cost of sales and services decreased in line with the decrease of revenues from contracts with customers.
- Selling expenses increased while administrative expenses decreased. Overall, the expenses of the group decreased because the group has managed expenses by organizing the employee structure for the maximum work efficiency, resulting in the decrease of employee expenses. In addition, there were the transferring of some employees from support departments to sale departments, in order to increase sales volume, conform to the company's sales strategy.

Other Items			
(Thousand Baht)	1Q 2019	1Q 2018	%Chg.
Finance cost	69	115	(40%)
Income tax expenses	931	711	31%
Total Other Items	1,000	826	21%

- Finance cost decreased by 40% due to the repayment of financial lease liabilities.
- Income tax expenses increased by 31% in line with the operating profit.

Profitability Analysis			
(Thousand Baht)	1Q 2019	1Q 2018	%Chg.
Gross profit	29,823	31,577	(6%)
Gross profit margin	30%	30%	
Net profit	2,835	1,148	147%
Net profit margin	3%	1%	
Basic earnings per share (Baht)	0.005	0.002	150%

- Gross profit decreased of Baht 2 million or 6% in line with the decrease of revenues from contracts with customers. Gross profit margin has not changed by remaining at 30%.
- Net profit increased of Baht 2 million or 147% and net profit margin increased by 2% from gains on exchange rate, also with the decrease of administrative expenses from efficient management. Nevertheless, during the quarter, the Company has written off fixed assets of approximately Baht 2 million due to the renovation of the office building. Therefore, if considering only the part of the operations, the Group has improved its operating performance.
- Basic earnings per share increased of Baht 0.003 or 150% in line with the increase of net profit.

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Consolidated Financial Position for the first quarter of 2019

Financial Position			
(Thousand Baht)	March 2019	December 2018	%Chg.
Total Assets	1,125,647	1,048,319	7%
Total Liabilities	313,266	237,758	32%
Total Shareholders' Equity	812,381	810,561	0%

- Total assets increased of Baht 77 million or 7% mainly due to the increase of inventories from work in process, which to be delivered in the next periods. In addition, cash and cash equivalent increased from debt collecting, as a result, the decrease of trade account receivables.
- Total liabilities increased of Baht 76 million or 32%, mainly from trade accounts payable and deposit received in advance, which increased in line with the increase of inventories and revenue backlog.
- Total shareholders' equity increased of Baht 2 million which increased from net profit of the period of Baht 3 million and decreased from the cumulative effects of changes in accounting policies due to the adoption of new financial reporting standard No.15 Revenues from contracts with customers by Baht 1 million.

Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	1Q 2019	1Q 2018
Net cash from operating activities	27,011	21,614
Net cash used in investing activities	(4,039)	(115,844)
Net cash used in financing activities	(874)	(1,346)
Net increase (decrease) in cash and cash equivalents	22,098	(95,576)
Beginning cash and cash equivalents	118,216	270,472
Ending cash and cash equivalents	140,314	174,896

For the first quarter of 2019, the Company and its subsidiary had net increase in cash and cash equivalent of Baht 22 million from the beginning balance of Baht 118 million. As a result, cash and cash equivalents at the end of the period was Baht 140 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities were Baht 27 million.
- Net cash used in investing activities were Baht 4 million mainly due to the investment in fixed assets.
- Net cash used in financing activities were Baht 1 million mainly due to the repayment of financial lease liabilities.

Ratios Analysis		
	1Q 2019	1Q 2018
Return on Asset (%)	9.04%	7.17%
Return on Equity (%)	9.49%	7.03%
Current ratio (x)	2.97	4.86
Total debt to equity (x)	0.39	0.24

Return on asset and return on equity increased by 1.87% and 2.46%, respectively, due to the increase of profit. Current ratio decreased by 1.89x and Total debt to equity ratio increased by 0.15x due to the increase in current liabilities as from trade accounts payable and deposit received in advance. In addition, the company has changed the investment model of fixed deposits from current investments to long-term investments of Baht 50 million.